



Form DL-1
Premium Excise Return
for Domestic Life Insurance Companies

2002

Massachusetts
Department of
Revenue

For calendar year 2002 or taxable year beginning

2002 and ending

Name of company

Federal Identification number

Mailing address

City/Town

State

Zip

Name of treasurer

Has the federal government changed your taxable income for any prior year which has not yet been reported to Massachusetts? ☐ Yes ☐ No

Computation of Excise. Attach a copy of Schedule T of NAIC Annual Statement.

Use whole dollar method

- 1 Taxable life premiums (from Part I, line 10) ▶ \$ _____ × 2% = ▶ 1
- 2 Net value of policies (from Schedule DL-1A, Part II, line 12) ▶ \$ _____ × .25% = ▶ 2
- 3 Applicable measure (from line 1 or line 2) ▶ 3
- 4 Taxable accident and health premiums (from Part I, line 11) ▶ \$ _____ × 2% = ▶ 4
- 5 Credit recapture (attach Schedule H-2) ▶ 5
- 6 Total excise due before credits. Add lines 3 through 5. ▶ 6

Credits

- 7 Enter 1.5% of company's capital contribution in excess of the full proportionate share in the Massachusetts life insurance company community investment initiative ▶ 7
- 8 Enter 1.5% of proportionate share of cost of equity securities and outstanding principal balance of debt securities constituting of qualified investments of Massachusetts Capital Resource Company (attach computation) ▶ 8
- 9 Enter 10% of Mass. Life and Health Insurance Guaranty Association assessment paid in the prior years. See instructions ▶ 9
- 10 Economic Opportunity Area Credit (attach Schedule EOAC). Do not claim here if claimed on Forms DL-2 or 176-I ▶ 10
- 11 Full Employment Credit (attach Schedule FEC). Do not claim here if claimed on Forms DL-2 or 176-I ▶ 11
- 12 Low-Income Housing Credit (attach eligibility statement). Do not claim here if claimed on Forms DL-2 or 176-I ▶ 12
- 13 Total credits. Add lines 7 through 12 ▶ 13

Excise after credits

- 14 Excise due before voluntary contribution. Subtract line 13 from line 6. Not less than "0" ▶ 14
- 15 Voluntary contribution for endangered wildlife conservation ▶ 15
- 16 Total excise plus voluntary contribution. Add lines 14 and 15 ▶ 16

Payments

- 17 2001 overpayment applied to 2002 estimated tax. ▶ 17
- 18 2002 Massachusetts estimated tax payments (do not include amount from line 17) ▶ 18
- 19 Payments made with extension ▶ 19
- 20 Total payments. Add lines 17 through 19 ▶ 20

Refund or balance due

- 21 Amount overpaid. Subtract line 16 from line 20. ▶ 21
- 22 Amount overpaid to be credited to 2003 estimated tax. ▶ 22
- 23 Amount overpaid to be refunded. Subtract line 22 from line 21. ▶ 23
- 24 Balance due. Subtract line 20 from line 16 ▶ 24
- 25 M-2220 penalty ▶ \$ _____; Other penalties ▶ \$ _____ Total penalty ▶ 25
- 26 Interest on unpaid balance ▶ 26
- 27 Total payment due at time of filing. ▶ 27

Under the penalties of perjury, I declare that I have examined this return, including attachments, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has knowledge.

Signature of appropriate corporate officer (see instructions)

Social Security number

Telephone number

Date

Signature of paid preparer

Employer Identification number

Address

Date

If you are signing as an authorized delegate of the appropriate corporate officer, ☐ check here and attach Mass. Form M-2848, Power of Attorney. Mail to: Mass. Department of Revenue, PO Box 7052, Boston, MA 02204. Make check or money order payable to the Commonwealth of Massachusetts.

Part I. Premium Excise

Activity for the year ending December 31, 2002

	Life insurance		Accident and health insurance	
	a.	b.	c.	d.
	Massachusetts	Jurisdictions where no insurance excise paid	Massachusetts	Jurisdictions where no insurance excise paid
1 All new and renewal (direct) premiums for Massachusetts residents. 1	▶	▶	▶	▶
2 Dividends applied to:				
a Purchase paid-up additions 2a	▶	▶	▶	▶
b Shorten premium paying period. 2b	▶	▶	▶	▶
3 Total. Add lines 1 through 2b. 3				

Deductions. Include only what has been returned as receipts on this return or on a previous return.

4 Returned premiums but not including cash surrender values (attach schedule). 4	▶	▶	▶	▶
5 Premiums for company employees' group life and accident and health plans if included in line 1* 5	▶	▶	▶	▶
6 Gross premiums for authorized preferred provider arrangements 6	▶	▶	▶	▶
7 Dividends:				
a Paid in cash 7a	▶	▶	▶	▶
b Applied in reduction of renewal premiums 7b	▶	▶	▶	▶
c Left to accumulate at interest. 7c	▶	▶	▶	▶
d Applied to purchase paid-up additions 7d	▶	▶	▶	▶
e Applied to shorten premium paying period 7e	▶	▶	▶	▶
8 Total deductions. Add lines 4 through 7e 8				
9 Amount taxable. Subtract line 8 from line 3. . . 9				
10 Total life amount taxable. Add line 9, columns a and b. 10				\$
11 Total accident and health amount taxable. Add line 9, columns c and d. 11				\$

*Premiums under the company employees' group plans for annuity consideration and retirement benefits shall not be deducted.

Form DL-1 Instructions

Who Must File Form DL-1?

All domestic life insurance companies, as defined by MGL Chapter 175, sec. 118 and 47, which are subject to MGL, Ch. 63, sec. 20, and which do any or all of their business in Massachusetts, must complete and file Form DL-1.

A domestic life insurance company is a company incorporated or formed in the Commonwealth.

When Must Form DL-1 Be Filed?

Form DL-1 must be filed on or before the 15th day of the third month after the close of the company's taxable year.

Can an Insurance Company Obtain an Extension of Time to File?

Yes. Form DL-1 filers may request a six-month extension of time to file Form DL-1 by submitting Massachusetts Form 355-7004 Misc. on or before the original due date of the return. Any tax due at the time of filing Form 355-7004 Misc. must be paid in full.

Note: An extension of time to file is not valid if the company fails to pay at least 50% of the total tax liability through estimated payments or with Form 355-7004 Misc.

What Are the Penalties for Late Returns?

Insurance excise returns which are not filed on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the total payment due with this form is $\frac{1}{2}\%$ of the balance due per month (or fraction thereof), up to a maximum of 25% of the tax reported as due on the return. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid.

The penalty for failure to file a return by the due date is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date — without regard to the extension — is subject to interest.

What is a Valid Return?

A valid return is one upon which all required amounts have been entered for all of the appropriate items on the form. Data sheets, account forms, or other documents may be attached to explain these amounts. Referencing items to attachments instead of properly entering all amounts onto the return is **not** sufficient. The return must be signed by either the treasurer or the assistant treasurer of the company.

To be valid, a return must also include the following:

- Schedule T, Exhibit of Premiums Written from the NAIC Annual Statement;
- Certificate of the Massachusetts Capital Resource Company (if applicable); and
- DL-1A, Part II — Excise on Net Value of Policies (if applicable).

Reproduction of returns must be approved by DOR prior to filing and meet the criteria provided in Technical Information Release 95-8.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such a penalty may be assessed at double the amount of the excise due.

When are Estimated Tax Payments Required?

Any insurance company which reasonably estimates its excise to be in excess of \$1,000 for the taxable year is required to make estimated tax payments to the Commonwealth. Estimated taxes may be paid in full on or before the 15th day of the third month of the com-

pany's taxable year or in four installment payments according to the schedule below. Insurance companies making estimated payments must use Form 355-ES.

For taxable years ending on or after December 31, 1989, estimated tax installments are paid as follows:

Installment no.	% of estimated tax due	Due date from start of taxable year
1	40%	15th day of 3rd month
2	25%	15th day of 6th month
3	25%	15th day of 9th month
4	10%	15th day of 12th month

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Special Optical Character Readable payment vouchers are mailed to all companies that have made estimated payments or should be making estimated payments. These special forms are easier to fill out and facilitate processing.

Insurance companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in Section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

A company that claims the exception to the underpayment penalty of equaling the prior year's tax liability **must provide federal tax returns** (front page only) for the three preceding taxable years to verify that federal taxable income is less than \$1 million.

Note: Any insurance company required to file more than one type of excise return must also file separate estimated tax payment vouchers since each type of tax is governed by a different section of the Massachusetts General Laws.

For more information on corporate estimated taxes, refer to MGL, Chapter 63B.

How Is the Excise Determined?

Domestic life insurance companies are taxed both on life and accident and health premiums written in Massachusetts and on premiums written in other jurisdictions where no tax is paid. Form DL-1 filers must also add in dividends applied to purchase paid-up additions and/or to shorten the premium paying period. The tax rate is 2%, after claiming allowable deductions.

Form DL-1 filers are allowed deductions for dividends to policyholders, including those:

- paid in cash;
- applied in reduction of renewal premiums;
- left to accumulate at interest;
- applied to purchase paid-up additions; or
- applied to shorten the premium paying period.

Deductions are also allowed to Form DL-1 filers for returned premiums (not including cash surrender values) and/or premiums for Company Employees' Group Life and Accident & Health plans, **only if** previously included in line 1 of Part I.

A deduction for preferred provider arrangement premiums is allowed to those companies who have been approved by the Commissioner of Insurance as preferred provider organizations, if those premiums were previously included in line 1 of Part I and reported on Form 176-I, Preferred Provider Gross Revenue Excise Return.

Are Combined Returns Allowed?

No. Domestic Insurance companies are **not** allowed to participate in filing combined returns.

Federal Audit

If your corporation has undergone a federal audit for some prior year, you must report any changes to Massachusetts on Form CA-6, Application for Abatement/Amended Return. You must report any federal audit changes within three months after the final determination by the IRS of the correct taxable income. Otherwise, you will be subject to a penalty. Answering "yes" to this question does not release the corporation from this filing obligation.

Should the Whole Dollar Method be Used?

Yes. All amounts entered on Form DL-1 must be rounded off to the nearest dollar.

Line Instructions

Line 5: Credit recapture. If the corporation is required to recapture any amount of previously claimed Economic Opportunity Area Credit or Low-Income Housing Credit complete Schedule H-2 and enter the result in line 5 of the return. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Line 7: Initiative credit. A company shall be allowed a credit against the premium tax equal to 1.5 percent of such company's total capital contribution in excess of their full proportionate share which shall mean an investment in the Massachusetts Life Insurance Company Community Investment Initiative.

This credit is effective for tax years in which the aggregate cumulative investment in the Massachusetts Life Insurance Company Community Investment Initiative reaches 100 million or the tax year 2004, whichever is later.

Line 8. A credit equal to 1.5% of the company's proportionate share of the cost of certain investments in the Massachusetts Capital Resource Company may also be claimed in line 6 of the Computation of Excise section.

Line 9: Credit for member insurers of the Massachusetts Life and Health Insurance Guaranty Association. Enter 10% of the assessment for each of the five years following the year in which the assessment was paid. If the sum of offsets exceeds \$3,000,000, the excess may be carried forward and may be used in a year in which the \$3,000,000 is **not** exceeded. If the total offsets exceed \$3,000,000 in a year, the Department of Revenue will assess each member with an additional tax equal to the amount of the offset which exceeds \$3,000,000 of such members pro rata share. If the total offsets do not exceed \$3,000,000 in a year, the Department of Revenue will calculate each members' pro rata share to determine the amount of refund due each member and issue a refund to each member.

Line 10: Economic Opportunity Area Credit. Enter the amount of Economic Opportunity Area credit claimed this year from Schedule EOAC, line 9. Attach Schedule EOAC to this return. For more infor-

mation, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 11: Full Employment Program Credit. A qualified employer participating in the Full Employment Program may claim a credit of \$100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is \$1,200. Attach Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

Line 12: Low-Income Housing Credit. To claim the Low-Income Housing credit, the eligibility statement issued by the Department of Housing and Community Development (DHCD) must be completed and enclosed with the return. For further information on this credit, contact the DHCD, Division of Private Housing, at (617) 727-7827.

Line 15: Voluntary contribution to the Nongame Wildlife Fund. Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Lines 21 through 23: Overpayments and refunds. If line 20 is larger than line 16, enter the amount overpaid in line 21.

The overpayment may be applied in part or in full to 2003 estimated taxes by entering in line 22 the amount to be credited to 2003 estimated tax payments. Enter in line 23 the amount to be refunded.

An overpayment of tax cannot be applied as a credit to the tax of another account of this company or to the tax of another company.

Line 24: Balance due. If line 16 is larger than line 20, enter the balance due in line 24. Payment in full is due on or before March 15, 2003.

Lines 25 and 26: Penalties and interest. Any company that has an underpayment of estimated tax will incur a penalty on the underpayment for the period of the underpayment. Attach a copy of Form M-2220. For more information, refer to the section, "When Are Estimated Tax Payments Required?"

Any company that fails to file a timely return will be subject to a late filing penalty of 1% per month, (or fraction thereof), and a late payment penalty of ½% per month, (or fraction thereof), on the amount required to be shown as the tax due on the return. For more information, refer to the section, "What Are the Penalties for Late Returns?"

Any company which fails to pay its tax when due will be subject to interest on the unpaid balance.

Line 27: Payment due. Enter the total payment due. Checks for this amount should be made payable to the **Commonwealth of Massachusetts**. Checks should have the company's federal identification number written in the lower left corner.

Signature

When the form is complete, it must be signed by the treasurer or assistant treasurer. If you are signing as an authorized delegate of the appropriate corporate officer, check the box in the signature section and attach a Massachusetts Form M-2848, Power of Attorney. Mail forms to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**